

If the basis of a provider's depreciable assets is limited to 3, then the estimated useful life of the assets as used by the seller must be used by the buyer.

B. Recapture of depreciation resulting from sale of assets:

The sale of depreciable assets, or substantial portion thereof, at a price in excess of the Title XIX cost basis of the property as reduced by accumulated depreciation (a gain on sale) calculated in accordance with Medicare (Title XVIII) Principles of Reimbursement indicates the fact that depreciation used for the purpose of computing allowable costs was greater than the actual economic depreciation. The amount of the recapture will be determined as follows:

1. The gross recapture amount will be the lessor of the gain (selling price less Title XIX basis) on the sale or the accumulated depreciation at the date of sale.
2. Allowable cost will be recomputed for each period affected by the recapture. The recomputed allowable costs will be used to determine if there should be an adjustment to the payment rate, and any resulting overpayment will be recovered.

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The net recapture amount as determined above shall be paid by the former owner to the Medicaid program. If the net recapture amount is not paid by the former owner in total, the amount not paid will be deducted from future payments to the buyer as a condition of participation in the Medicaid program.

Such recapture from the buyer shall not increase the buyer's basis in the depreciable asset and shall not be depreciated over the remaining useful lives of the assets. Mississippi Medicaid Program reserves the right to grant exceptions or terms of extended payment based upon the facts and circumstances of the unrecovered recapture from the seller.

C. Depreciation recapture resulting from leasing facility or withdrawing from the Medicaid Program:

In cases where an owner-operator withdraws from the Medicaid Program as the provider, but does not sell the facility, the depreciation paid by Medicaid to the owner during the time he was the Medicaid provider will be subject to the depreciation recapture provision of this plan when the owner sells the facility. This includes cases where an owner-provider leases a facility to another unrelated licensed operator after having operated the facility as the licensed Medicaid provider. Continued participation in the Medicaid Program after the effective date of this appendix shall constitute an implied contract with the Medicaid Program creating an equitable lien on the owner's assets in the amount of the net recapture amount determined in B above.

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II. Interest Expense

Where interest expense is incurred to finance the purchase of a hospital or a depreciable asset used therein and the purchase price exceeds the allowable cost basis as stated in Paragraph I.A., interest expense on that portion of the debt or other interest bearing instrument used to finance the excess of the purchase price over the allowable cost basis is not considered reasonably related to patient care and is not allowable.

III. Return of Equity

Return on equity shall be compiled in accordance with Title XIX principles and shall exclude the non-allowable portion of the cost or fixed assets and debt related to the change of ownership.

IV. Loss of Sale of a Hospital

The sale of depreciable assets, or a substantial portion thereof, at a price less than the Title XIX cost basis of the property as reduced by accumulated depreciation calculated in accordance with Medicare (Title XVIII) principles of reimbursements indicates a loss on the sale of the assets. Such losses are not reimbursable under this plan.

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